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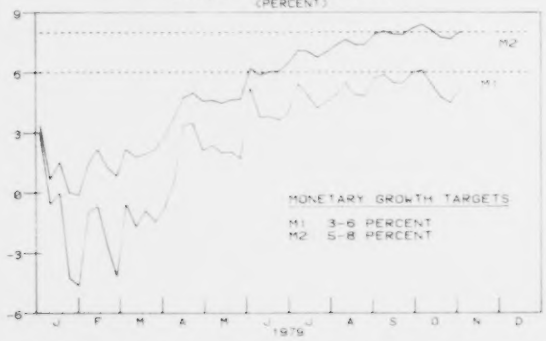
FINANCIAL DIGEST

MONDAY, NOVEMBER 19, 1979 VOLUME XVI, NUMBER 46

BOTH MONEY SUPPLY GROWTH . . .

The marked slowing in the growth of both the monetary aggregates and commercial and industrial loans since the announcement of the Federal Reserve's October 6 policy package may permit a slight easing, or at least preclude a further tightening, of monetary policy in the near future. This implies, of course, that we may be very close to the current economic cycle's interest rate peaks.

CHART I MONEY SUPPLY GROWTH (PERCENT)

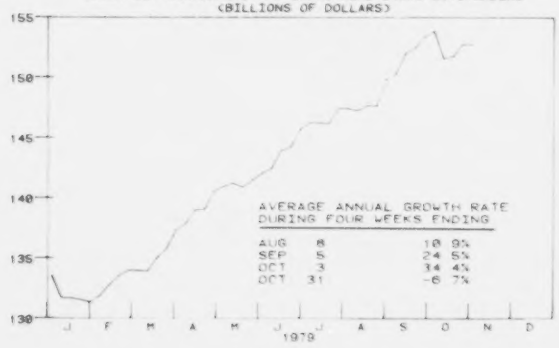


More specifically, the growth of M1 (currency and demand deposits) and M2 (M1 plus savings deposits) has decelerated significantly since the end of September, reflecting both an increased hesitancy among banks to expand rapidly their loan portfolios in light of money and credit market uncertainties as well as a growing hesitancy among borrowers to assume new credit obligations at prevailing market interest rates. Consequently, whereas M1 was expanding at a 5.5 percent annual rate through end-September, by end-October this rate had fallen to 4.6 percent; M2 growth has slowed somewhat less sharply, increasing at annual rates of 7.9 and 7.7 percent through end-September and end-October respectively. Importantly, however, the current rates of monetary expansion lie within the central bank's revised growth targets (as shown in chart I), which has been a long-sought objective.

. . . AND LOAN DEMAND SLOW

Similar developments have also been in evidence on the demand side of the money market where a sharp slowing in the growth of commercial and industrial (C & I) loans has occurred (chart II). Paced by declines in commercial bank lending to the construction and textile industries, C & I loans declined at a 6.7 percent annual rate during the four weeks ending October 31. This trend stands in marked contrast to developments prior to the October 6 policy package; during the four weeks ending October 3, for example, C & I loans expanded at an almost 35.0 percent annual rate, reflecting the relatively buoyant level of business activity and rising inflationary expectations. Although loan demand may well rebound slightly as a result of stepped-up seasonal demands, it is doubtful that the former growth momentum will be restored in view of high interest rates and the uncertain economic outlook.

CHART II COMMERCIAL AND INDUSTRIAL LOANS OUTSTANDING (BILLIONS OF DOLLARS)



In sum, both supply and demand factors now seem to favor interest rate stability, reinforcing the conclusions reached two weeks ago (Financial Digest—Nov. 5, 1979) that the worst of the money and credit market spasms has subsided and interest rates may have peaked.

SELECTED FEDERAL RESERVE DATA

(Weekly Averages of Daily Figures—Millions of Dollars)

	Week Ending 11/9/79	Change Since Week Ago	Change Since Year Ago
Reserve Bank Credit:			
U.S. Gov'ts and Agencies			
Owned Outright & RPs	123,165	— 776	+ 2,534
Member Bank Borrowings	1,928	—1,128	+ 1,232
Float	4,491	+ 362	+ 188
Total Reserve Bank Credit	134,508	—1,422	+ 5,497
Treasury Deposits with Federal Reserve Banks	3,146	+ 73	— 7,945
Currency Outside Banks	109,091	+ 454	+ 9,334
Member Bank Reserves:			
Required	42,138	—1,181	+ 4,552
Excess (Deficiency)	551	+ 249	+ 210
Total Reserves Held	42,689	— 932	+ 4,762
Net Borrowed Reserves	1,226	—1,341	+ 1,062
Gov'ts held for Foreign Acct. by F.R. Banks (End-of-Week)	80,037	—1,892	—12,719

r-Revised

	11/7/79		
Money Supply ($ Bil., SA) M1	379.2	+ 3.0	+4.7%
Money Supply ($ Bil., SA) M2	942.2	+ 4.4	+7.8%

NEW YORK MONEY MARKET

Offering Rates 11/16/79	3 Months	6 Months	1 Year
‡U.S. Treasury Bills	11.90%	11.95%	11.16%
*Federal Agencies	12.68	12.90	12.11
*Project Notes—Tax Free (46% Taxable Equivalent)	6.50	6.75	n.a.
Negotiable Time CDs Manufacturers Hanover	Rates By Arrangement		
*Secondary Market—Prime	14.05	14.15	

‡Finance Company Paper—Prime

5- 14 days	10.00%
15- 29 days	13.00
30- 59 days	13.50
60-179 days	13.50
180-270 days	12.00

‡Industrial Paper—Prime

30- 89 days	12.00
90-120 days	12.25

‡*Bankers' Acceptances

Dec.	13.40%
Jan.	13.40
Feb.	13.50
Mar.	13.45
Apr.	13.25
May	13.20

‡Federal Funds Effective Rate 13.35%

‡Discount Basis. *Subject to Availability. †Estimated.

SELECTED BUSINESS INDICATORS

(All Dollar Figures in Billions)

	Latest Period or End of Period		Previous Period	Year Ago Period
Gross National Product (Current Dollars)*	3rd Q'79	$ 2,392	$ 2,330	$ 2,160
Gross National Product (1972 Dollars)*	3rd Q'79	$ 1,431	$ 1,422	$ 1,407
Percent Change, Annual Rate	3rd Q'79	2.4%	—2.3%	3.5%
Change in Consumer Prices (all urban consumers)*	Sept. '79	13.2%	13.2%	10.8%
Change in Producer Prices*	Oct. '79	12.0%	16.8%	9.6%
Civilian Employment (Thousands of Persons)†	Oct. '79	97,293	97,513	95,241
Unemployment as % of Civilian Labor Force†	Oct. '79	6.0%	5.8%	5.8%
Personal Income*	Sept. '79	$ 1,955	$ 1,943	$ 1,756
Leading Indicators Composite Index (1967=100)†	Sept. '79	141.3	140.2	142.9
Industrial Production Index (1967=100)†	Oct. '79n	152.5	152.3	149.7
Net Change in Consumer Instalment Credit†	Sept. '79	$ 4.45	$ 2.45	$ 3.68
U.S. Merchandise Trade Balance†	Sept. '79	—$ 2.83	—$ 2.36	—$ 1.55
Plant and Equipment Expenditures*	4th Q'79	$179.56(a)	$174.74(a)	$163.96
Private Housing Starts (Thousands of Units)*	Sept. '79	1,881	1,806	1,948
New Construction Expenditures*	Sept. '79	$ 235.8	$ 232.4	$ 215.3
Total Business Inventories†	Sept. '79n	$ 417.3	$ 416.9	$ 369.2
Total Business Sales†	Sept. '79n	$ 297.1	$ 292.9	$ 260.1

*Seasonally adjusted annual rate. †Seasonally adjusted. n-Newly reported figure. a-Anticipated.

SHORT TERM PAPER OUTSTANDING

(Millions of Dollars)

	Latest Week	Change Since Week Ago	Change Since Year Ago
Negotiable Time CDs Weekly Reporting Banks			
Nationwide (11/7/79)	90,610	— 55	— 1,989
New York City (11/14/79)	19,008	+ 151	— 9,612
Commercial Paper (11/7/79)	111,036	+3,364	+30,086

BANK LOANS

(Millions of Dollars)

Weekly Reporting Large Commercial Banks	Commercial and Industrial Loans Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (11/7/79)	152,733	— 16	+21,929
New York City (11/14/79)	45,524	+ 133	+ 6,936
	Total Loans Gross Adjusted		
	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (11/7/79)	387,012	— 157	+50,603
New York City (11/14/79)	87,878	+ 101	+ 8,823

SECURITY MARKETS

	Friday 11/16/79	Change Since Week Ago	Change Since Year Ago
U. S. Governments, Closing Bid Prices:			
90-Day Bills (Discount Basis)	11.90%	+ .03	+ 3.95
180-Day Bills (Discount Basis)	12.02	+ .17	+ 3.12
Longest Bills (Discount Basis)	11.26	+ .08	+ 2.32
12⅝s 10/30/81	101.7	— 14/32	
11⅝s 5/15/83	101.3	— 23/32	
10¾s 11/15/89	99.29	— 22/32	
10⅛s 11/15/94	96.5	— 29/32	
10⅜s 11/15/09	99.24	— 1-23/32	
Municipals:			
Bond Buyer—20 Bond Index* (11/15/79)	7.31%	+ .04	+ 1.20
Blue List Total ($ Million)	$ 707	+$ 26	—$ 6
30-Day Visible Supply ($ Million)	$1,421	—$ 290	—$ 49
Total	$2,128	—$ 264	—$ 55
Corporates:			
Moody's Aa Composite (11/15/79)	11.22%	— .13	+ 2.01
Money Mgr.—30-Day Supply ($ Million)	$1,782	+$ 173	+$ 301
Stocks:			
Dow-Jones Averages			
Industrials	815.70	+ 9.22	+ 17.97
Transportation	241.33	+ 8.47	+ 30.92
Utilities	102.33	+ 3.14	+ 4.29
65 Stocks	288.09	+ 6.16	+ 16.07
Standard and Poor's 500 Stocks	103.79	+ 2.22	+ 9.37
N.Y.S.E. Composite Index	59.11	+ 1.37	+ 6.57
N.Y.S.E. Avg. Daily Vol. for Week (000's)	29,902	+ 5,960	+ 5,016

*46% Taxable Equivalent 13.54%

INTERNATIONAL RATES

	Friday 11/16/79	Week Ago
EURODOLLAR DEPOSIT RATES (bid)		
Overnight	13.13%	13.38%
1 month	14.50	14.75
3 months	15.31	15.56
6 months	15.13	15.13
1 year	13.88	14.00
EURODOLLAR BONDS Average Yield		
Medium Term (5 to 7 yrs.)	11.5	n.a.
Long Term (10 to 15 yrs.)	11.5	n.a.
FOREIGN EXCHANGE SPOT RATES New York Opening (in dollars)		
Belgium	.03460	.03442
Canada	.8463	.8431
France	.2391	.2378
Germany	.5601	.5569
Italy	.001205	.001204
Japan	.004046	.004120
Mexico	.04370	.04370
Netherlands	.5039	.5019
Switzerland	.6033	.6055
U.K.	2.1440	2.0870

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For more information, contact Ronald R. Pabian in the National Division at (212) 350-4107 or Herbert V. Fink in the Operations Division at (212) 623-3506.

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